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ATLAS ENGINEERED PRODUCTS

Consolidated Annual Financial Statements

For the years ended December 31, 2022 and 2021
(Expressed in Canadian dollars)

Independent auditor's report

To the Shareholders of Atlas Engineered Products Ltd.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Atlas Engineered Products Ltd. and its subsidiaries (together, the Company) as at December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited
The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2022 and 2021;
- the consolidated statements of income and comprehensive income for the years then ended;
- the consolidated statements of cash flows for the years then ended;
- the consolidated statements of changes in equity for the years then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Key audit matter	How our audit addressed the key audit matter
Impairment assessment of goodwill *Refer to note 2 – Significant accounting policies and note 8 – Goodwill to the consolidated financial statements.* The Company had goodwill of $6.73 million as at December 31, 2022. Goodwill impairment assessments are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. Goodwill impairment is assessed by comparing the fair value of the cash generating unit (CGU) to the underlying carrying amount of the CGU's net assets, including goodwill. When the carrying amount of the CGU exceeds its recoverable amount, the recoverable amount of the CGU's goodwill is compared with its carrying amount to measure the amount of impairment loss. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. The recoverable amounts were based on the value-in-use method using discounted cash flow models. Significant assumptions used by management in the discounted cash flow models included revenue growth rates and gross margins. No impairments were recognized as a result of the 2022 impairment assessments. We considered this a key audit matter due to the significant judgment by management in determining the recoverable amounts of the CGUs, including the use of significant assumptions and. This has resulted in a high degree of subjectivity and audit effort in performing procedures to test the significant assumptions.	Our approach to addressing the matter included the following procedures, among others: • Evaluated how management determined the recoverable amounts of the goodwill CGUs, which included the following: – Tested the appropriateness of the value-in-use method used and the mathematical accuracy of the discounted cash flow models. – Tested the reasonableness of revenue growth rates and gross margins applied by management in the discounted cash flow models by considering current and past performance and the budget and management's strategic plans approved by the board of directors. – Tested the underlying data used in the discounted cash flow models. • Tested the disclosures made in the consolidated financial statements, particularly with regard to the sensitivity of the significant assumptions used by management.

Key audit matter	How our audit addressed the key audit matter
Valuation of intangible assets acquired in the Hi-Tec Industries Ltd. (Hi-Tec) business combination *Refer to note 2 – Significant accounting policies and note 3 – Acquisition of Hi-Tec to the consolidated financial statements.* The Company acquired Hi-Tec for total consideration of $6.25 million during 2022. The fair value of the identifiable assets acquired included $1.45 million in intangible assets, which primarily relate to customer relationships and a non-compete agreement. Management applied significant judgment in estimating the fair value of the intangible assets. To estimate the fair value of the intangible assets, management used the multi-period excess earnings method (MEEM) to value customer relationships and the with-and-without method to value the non-compete agreement, using discounted cash flow models. Management developed significant assumptions related to revenue, gross margin, EBITDA forecasts, customer retention rates and discount rates. We considered this a key audit matter due to the significant judgment by management in estimating the fair value of the intangible assets, including the development of significant assumptions. This in turn led to a high degree of auditor judgment, subjectivity and effort in performing procedures and evaluating audit evidence relating to the significant assumptions used by management. The audit effort involved the use of professionals with specialized skill and knowledge in the field of valuation.	Our approach to addressing the matter included the following procedures, among others: • Tested how management estimated the fair value of the intangible assets, which included the following: – Read the purchase agreement. – Tested the underlying data used by management in the discounted cash flow models and tested the mathematical accuracy of the models. – Evaluated the reasonableness of significant assumptions used by management related to revenue, gross margin and EBITDA forecasts by considering the past performance of Hi-Tec and similar prior acquisitions made by the Company, as well as economic and industry data. – Professionals with specialized skill and knowledge in the field of valuation assisted in evaluating the appropriateness of management's MEEM and the with-and-without method, as well as certain significant assumptions such as customer retention rates and discount rates.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is David Neale.

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants

Vancouver, British Columbia
April 19, 2023

Atlas Engineered Products Ltd.
Consolidated Statements of Financial Position
As at December 31, 2022 and 2021
(Expressed in Canadian dollars)

	Note	December 31, 2022	December 31, 2021
		$	$
Assets			
Current			
Cash and cash equivalents		16,118,601	8,947,182
Accounts receivable	**4, 17, 20**	5,825,034	6,730,912
Inventories	**5**	4,591,681	3,370,440
Prepaid expenditures		145,727	178,901
Deposits		216,985	10,211
Assets held for sale		-	69,954
		26,898,028	19,307,600
Non-current			
Buildings and equipment	**6**	11,884,753	8,468,113
Intangible assets	**7**	4,567,291	3,937,029
Goodwill	**8**	6,734,499	3,778,476
Deferred tax assets	**9**	406,773	289,441
Total Assets		50,491,344	35,780,659
Liabilities			
Current			
Accounts payable and accrued liabilities	**10, 17**	2,835,996	3,048,762
Customer deposits		375,636	411,054
Income taxes payable	**9**	912,371	1,379,793
Lease obligations – current portion	**12**	918,593	989,229
Long-term debt – current portion	**13**	1,818,966	951,983
		6,861,562	6,780,821
Non-current			
Intangible liability	**11**	31,517	65,921
Lease obligations	**12**	842,680	1,430,121
Long-term debt	**13**	11,665,481	6,018,673
Deferred tax liability	**9**	2,217,401	1,672,480
		21,618,641	15,968,016
Shareholders' Equity			
Share capital	**14**	19,426,569	19,067,094
Contributed surplus	**14**	1,393,934	1,523,686
Retained Earnings (Deficiency)		8,052,200	(778,137)
		28,872,703	19,812,643
Total Liabilities and Shareholders' Equity		50,491,344	35,780,659

APPROVED BY THE DIRECTORS ON APRIL 19, 2023

DON HUBBARD Director ***KEVIN SMITH*** Director

The accompanying notes are an integral part of these consolidated financial statements

Atlas Engineered Products Ltd.
Consolidated Statements of Income and Comprehensive Income
For the years ended December 31, 2022 and 2021
(Expressed in Canadian dollars)

	Note	December 31, 2022	December 31, 2021
		$	**$**
Revenue	**15**	61,899,620	54,997,862
Cost of sales	**16**	(42,053,514)	(38,844,926)
Gross profit		19,846,106	16,152,936
Operating expenses			
Administrative and office	**17**	1,802,360	1,364,982
Depreciation and amortization	**6, 7, 11**	1,386,081	1,253,734
Bad debt expense		22,902	52,202
Management fees	**17**	-	55,246
Professional fees		484,439	316,029
Salaries and benefits	**17**	3,366,287	3,138,570
Share-based payments	**14(c), 17**	254,368	91,141
Operating income		12,529,669	9,881,032
Other income		233,984	31,759
Interest expense		(538,640)	(243,742)
Finance charge on leases	**12, 17**	(135,261)	(180,305)
Foreign exchange loss		(11,344)	(12,566)
Loss on disposal of assets		(70,171)	(170,833)
Income before income tax		12,008,237	9,305,345
Income taxes			
Current income tax expense	**9**	(3,530,235)	(1,611,394)
Deferred income tax recovery (expense)	**9**	352,335	(739,603)
		(3,177,900)	(2,350,997)
Net income and comprehensive income for the year		8,830,337	6,954,348
Income per share			
Basic		0.15	0.12
Diluted		0.14	0.09
Weighted average number of shares outstanding			
Basic		58,702,361	57,728,196
Diluted		63,114,011	77,063,773

The accompanying notes are an integral part of these consolidated financial statements

Atlas Engineered Products Ltd.
Consolidated Statements of Cash Flows
For the years ended December 31, 2022 and 2021
(Expressed in Canadian dollars)

	December 31, 2022	December 31, 2021
	$	$
Operating activities		
Net income for the year	8,830,337	6,954,348
Depreciation and amortization	2,941,571	2,638,694
Deferred tax (recovery) expense	(352,335)	739,603
Loss on disposal of assets	70,171	170,833
Share-based payments	254,368	91,141
Changes in non-cash working capital items:		
Accounts receivable	1,466,871	(1,595,591)
Inventories	(540,865)	(1,286,369)
Prepaid expenditures	57,557	(19,825)
Deposits	(206,774)	115,375
Accounts payable and accrued liabilities	(721,792)	275,486
Customer deposits	(35,418)	262,538
Income taxes payable	(467,422)	1,232,304
Cash provided by operations	11,296,269	9,578,537
Investing activities		
Acquisition of equipment	(3,647,724)	(1,323,129)
Proceeds from disposition of equipment	-	84,960
Proceeds from assets held for sale	-	29,003
Hi-Tec acquisition (Note 3)	(5,940,423)	-
Cash used in investing activities	(9,588,147)	(1,209,166)
Financing activities		
Repayment of principal lease obligations	(1,025,849)	(1,047,073)
Repayment of long-term debt (Note 13)	(1,723,709)	(992,068)
Proceeds from long-term debt (Note 13)	8,237,500	963,091
Shares repurchased for cancellation (Note 14b)	(1,711,837)	(178,128)
Proceeds from warrants exercised (Note 14d)	1,261,691	15,000
Proceeds from stock option exercise (Note 14b)	425,501	-
Cash provided by (used in) financing activities	5,463,297	(1,239,178)
Increase in cash	7,171,419	7,130,193
Cash - beginning of year	8,947,182	1,816,989
Cash - end of year	16,118,601	8,947,182
Cash paid during the year for:		
Interest	673,901	424,047
Income taxes	3,913,519	510,571

Supplemental cash flow information – Note 18

Atlas Engineered Products Ltd.
Consolidated Statements of Changes in Equity
(Expressed in Canadian dollars)

	Number of Common Shares	Share Capital	Contributed Surplus	Retained Earnings (Deficiency)	Total
	(Note 14)	(Note 14)	(Note 14)		
		$	$	$	$
Balance, December 31, 2020	**57,725,730**	**19,230,222**	**1,432,545**	**(7,732,485)**	**12,930,282**
Share-based payments	-	-	91,141	-	91,141
Shares repurchased for cancellation	-	(178,128)	-	-	(178,128)
Warrants exercised	25,000	15,000	-	-	15,000
Net income for the year	-	-	-	6,954,348	6,954,348
Balance, December 31, 2021	**57,750,730**	**19,067,094**	**1,523,686**	**(778,137)**	**19,812,643**
Share-based payments	-	-	254,368	-	254,368
Shares repurchased for cancellation (Note 14b)	(2,886,286)	(1,711,837)	-	-	(1,711,837)
Warrants exercised (Note 14d)	2,102,819	1,261,691	-	-	1,261,691
Stock options exercised (Note 14b)	880,000	809,621	(384,120)	-	425,501
Net income for the year	-	-	-	8,830,337	8,830,337
Balance, December 31, 2022	**57,847,263**	**19,426,569**	**1,393,934**	**8,052,200**	**28,872,703**

The accompanying notes are an integral part of these consolidated financial statements

1. Nature of Operations

Atlas Engineered Products Ltd. (the "Company" or "Atlas") was incorporated pursuant to the provisions of the Business Corporations Act (British Columbia) on January 18, 1999. Atlas Engineered Products Ltd. is a leading manufacturer of trusses, windows, wall panels, and supplier of engineered wood products. Atlas operates manufacturing and distribution facilities in British Columbia, Manitoba, and Ontario to meet the needs of residential and commercial builders.

The Company's registered office is located at 2005 Boxwood Road, Nanaimo, British Columbia V9S 5X9.

2. Significant Accounting Policies

Basis of presentation

These consolidated financial statements have been presented in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), effective for the Company's reporting for the year ended December 31, 2022.

These consolidated financial statements have been prepared under the historical cost basis and are presented in Canadian dollars, which is the functional currency of the Company and its subsidiaries.

The accounts of the subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies.

The preparation of these consolidated financial statements requires management to make judgments and estimates and form assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the statement of financial position and the reported amount of revenues and expenses during the reporting year. Actual results could differ from these estimates. Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods affected.

These consolidated financial statements were approved for issue by the Board of Directors on April 19, 2023.

Basis of consolidation

The Company's consolidated financial statements consolidate those of the parent company and all its subsidiaries as of the date that control was obtained over those subsidiaries. The Company has seven subsidiaries, all located in Canada, Clinton Building Components Ltd. ("Clinton"), Satellite Building Components Ltd. ("Satellite"), Atlas Building Systems Ltd. ("ABS") (formally Coastal Windows Ltd.), Pacer Building Components Ltd. ("Pacer"), South Central Building Systems Ltd. ("SC"), Novum Building Components Ltd. ("Novum"), and Hi-Tec Industries Ltd. ("Hi-Tec"). The Company owns 100% of the issued and outstanding shares of all of these subsidiaries.

All transactions and balances between the Companies are eliminated on consolidation, including unrealized gains and losses on transactions between the companies. Amounts reported in the unaudited condensed interim consolidated financial statements of the subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Company.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognized from the effective date of acquisition, or up to the effective date of disposal, as applicable.

2. Significant Accounting Policies (continued)

Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration of each business combination is measured, at the date of the exchange, as the aggregate of the fair value of assets given, liabilities incurred or assumed, and equity instruments issued by the Company in exchange for control of the acquiree. Acquired assets and liabilities assumed are measured at their acquisition date fair values. Acquisition costs are expensed as incurred.

Under the guidance of IFRS 10 Consolidated Financial Statements, control is established by having power over the acquiree, exposure or rights to variable returns from its involvement with the acquiree, and the ability to use its power over the acquiree to affect the amount of the acquirer's returns. The acquiree's identifiable assets, liabilities and contingent liabilities are recognized at their fair value at the acquisition date.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

When the consideration transferred by the Company in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is measured in accordance with IFRS 9 Financial Instruments, as appropriate, with the corresponding gain or loss being recognized in profit and loss.

Use of estimates and judgements

The preparation of consolidated financial statements in conformity with IFRS as issued by the IASB requires management to make estimates and judgements that affect the amount reported in the consolidated financial statements. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances, and are subject to measurement uncertainty. Actual results may differ from these estimates.

2. Significant Accounting Policies (continued)

Management estimates

a) Inventory valuation

Management estimates the net realizable values ("NRV") of inventories, taking into account the most reliable evidence available at each reporting date. The future realization of these inventories may be affected by market driven changes that may affect future selling prices.

b) Impairment of long-lived assets

In assessing impairment, management estimates the recoverable amount of each asset or cash generating unit ("CGU") at each reporting period to determine whether any indication of impairment exists. Where an indicator of impairment exists, an estimate of the recoverable amount will be made. These estimates and assumptions are used in future cash flow projections and the discount rate applied to those forecasts are subject to risk and uncertainty and therefore, there is a possibility that changes in circumstances will impact these projections, which may impact the recoverable amount of assets and/or CGUs.

c) Business combinations

Management uses judgement in determining the fair value of the acquired net identifiable tangible and intangible assets at the date of a business combination, which requires making assumptions and estimates about future events. The assumptions and estimates with respect to determining the fair value of the acquired intangible assets, particularly the customer relationships and non-compete agreements, require the most judgement. Changes in any of these assumptions or estimates used in determining the fair values of these acquired assets could impact the amounts recorded at the date of the business combination.

Cash

Cash in the statement of financial position comprises cash on deposit with financial institutions, cash on hand, restricted cash, and petty cash.

Inventories

The Company values inventory at the lower of cost and NRV. The NRV of inventories is the estimated selling price in the ordinary course of business less estimated costs of completion and costs to sell. Estimates of net realizable value are based on the most reliable evidence available at the time the estimates are made. These estimates take into consideration fluctuations of price or cost directly relating to events occurring after the end of the period to the extent that such events confirm conditions existing at the end of the period. The key assumptions require the use of management judgement regarding reliability of evidence available and are reviewed on a quarterly basis.

The cost of inventories is determined on a first in, first out basis, and includes all costs of purchase, costs of conversion and other costs in bringing the inventories to their present location and condition. The costs of purchase include the purchase price, import duties and non-recoverable taxes, transport, handling, and other costs directly attributable to the acquisition of finished goods, materials, or services. The costs of conversion include direct materials and labour costs and a systematic allocation of fixed and variable overheads incurred in converting materials into finished goods.

Write-down of inventory is recognized within cost of sales in the period the write-down occurs. Reversal of any write-down of inventory, arising from an increase in net realizable value, is recorded within cost of sales to the extent that the related inventory has not been sold.

2. Significant Accounting Policies (continued)

Buildings and equipment

Buildings and equipment are stated at historical cost net of accumulated depreciation and impairment losses.

The cost of an item of buildings and equipment includes the purchase price or construction cost and any costs directly attributable to bringing the asset to the location and condition necessary for its intended use.

Where an item of buildings and equipment comprises major components with different useful lives, the components are accounted for as separate items of buildings and equipment.

Costs incurred for major overhaul of existing buildings and equipment are capitalized and are subject to depreciation once they are available for use. Major overhauls include improvement programs that increase the productivity or extend the useful life of an asset beyond that initially envisaged. The costs of routine maintenance and repairs that do not constitute improvement programs are expensed.

The carrying amounts of buildings and equipment are depreciated to their estimated residual value over the estimated useful lives of the specific assets concerned. Depreciation starts on the date when commissioning is complete and the asset is ready for its intended use. The major categories of buildings and equipment are depreciated on a declining-balance basis at the following annual rates:

Office furniture and equipment	20%
Vehicles	30%, useful life
Production equipment	20%
Computer equipment	30%
Computer software	100%
Signage	20%
Parking lot and improvements	8%
Building	4%
Buildings and vehicles under lease	Over the term of the lease

Government assistance

The Company recognizes government assistance only when there is reasonable assurance that the entity will comply with any conditions attached to the funding and the funding will be received.

Non-repayable government assistance receivable as compensation for current costs already incurred or for immediate financial support, with no future related costs is recognised as income in the period in which it is receivable. The government assistance may be reported separately as 'other income' or deducted from the related expense.

The non-repayable government assistance received was recognised as ‘other income’ over the period necessary to match the payments to the related costs, for which they are intended to compensate, on a systematic basis.

2. Significant Accounting Policies (continued)

Impairment of non-financial assets

The Company performs impairment tests on non-financial assets when events or circumstances occur which indicate the carrying amount of the assets may not be recoverable. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years.

Goodwill and intangible assets

Goodwill arises on the acquisition of subsidiaries and associates and represents the excess of the consideration transferred over the fair value of the net identifiable assets, liabilities and contingent liabilities acquired.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. Goodwill impairment is assessed by comparing the fair value of the cash generating unit ("CGU") to the underlying carrying amount of the CGU's net assets, including goodwill. When the carrying amount of the CGU exceeds its recoverable amount, the recoverable amount of the CGU's goodwill is compared with its carrying amount to measure the amount of impairment loss. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. The recoverable amounts were based on the value-in-use method using discounted cash flow models. Significant assumptions used by management in the discounted cash flow models included revenue growth rates and gross margins.

Other intangible assets, comprising Brand, Customer relationship and Non-Compete agreement, are stated at cost less accumulated amortization. The Brant and the Customer Relationships are amortized on a straight-line basis over 10 years. Non-Compete agreement is amortized on a straight-line basis over 5 years.

2. Significant Accounting Policies (continued)

Revenue

Revenue is generated mainly from the sale of trusses, wall panels, engineered wood products, and windows.

To determine whether to recognize revenue, the Company follows the following five-step process:

1. Identify the contract with a customer (in writing, orally or in accordance with other customary business practices) and are committed to perform their respective obligations. At this stage a quote turns to an order. Final design gets completed a few days before production where the customer is contacted to finalize these plans;
2. the performance obligation is easily identifiable regarding the goods or services to be transferred. The customer specifically orders trusses, windows, wall panels, or engineered wood products based on a design and quote. They are required to have approved plans through the city which indicate product requirements;
3. the Company can determine the transaction price for the goods or services to be transferred. This is usually obtained from a quote, confirmed purchase order, or final sales order prepared in our truss and window design and quoting software;
4. the contract has commercial substance (i.e. the risk, timing or amount of the Company's future cash flows is expected to change as a result of the contract); and
5. the revenue is recognized when the performance obligation has been satisfied. All deliveries are Free On Board (FOB) and delivered within the same day. Revenue is recognized on day of delivery.

Revenue is recognized at a point in time when the Company satisfies the performance obligation by transferring the promised goods and services to the customer and the customer has taken control of the asset. There is no deferred revenue to be disclosed during the year.

A customer obtains control of an asset at a point in time when:

- the Company has transferred physical possession of the asset;
- a customer has accepted the asset;
- a customer has legal title to the asset; and
- a customer has the significant risks and rewards related to the ownership of the asset.

Revenue is measured at the amount of the transaction price that is allocated to that performance obligation. The transaction price (which excludes estimates of constrained variable consideration) that is allocated to each performance obligation is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

The Company recognizes contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as customer deposits in the consolidated statement of financial position.

No element of financing is deemed present as the sales are made with credit terms standard for the market. Historically, the Company’s annual returns for products sold have been negligible as the product is customized to each customer and returns are not authorized. No value has been assigned for returns given the negligible value. A receivable is recognized when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Where possible, the Company will apply the practical expedient not to disclose the transaction price for unsatisfied performance if the performance obligation is part of a contract that has an original expected duration of one year or less. The Company does not expect to have any contracts where the period between the transfer of the promised goods and payment by the customer exceeds one year. Consequently, the Company does not adjust any of the transaction prices for the time value of money.

2. Significant Accounting Policies (continued)

Leases and right-of-use assets

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. Contracts that convey the right to control the use of an identified asset for a period of time in exchange for consideration are accounted for as leases giving rise to right-of-use assets.

At the commencement date, a right-of-use asset is measured at cost, where cost comprises: (a) the amount of the initial measurement of the lease liability; (b) any lease payments made at or before the commencement date, less any lease incentives received; (c) any initial direct costs incurred by the Company; and (d) an estimate of costs to be incurred by the Company in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

A lease liability is initially measured at the present value of the unpaid lease payments. Subsequently, the Company measures a lease liability by: (a) increasing the carrying amount to reflect interest on the lease liability; (b) reducing the carrying amount to reflect the lease payments made; and (c) remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments. Each lease payment is allocated between repayment of the lease principal and interest. Interest on the lease liability in each period during the lease term is allocated to produce a constant periodic rate of interest on the remaining balance of the lease liability. Except where the costs are included in the carrying amount of another asset, the Company recognizes in profit or loss (a) the interest on a lease liability and (b) variable lease payments not included in the measurement of a lease liability in the period in which the event or condition that triggers those payments occurs. The Company subsequently measures a right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses; and adjusted for any re-measurement of the lease liability. Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term.

Income tax

Provision for income taxes consists of current and deferred tax expense. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized either in other comprehensive loss or directly in equity, in which case it is recognized in other comprehensive loss or in equity, respectively. Taxes and withholding taxes are treated and disclosed as current and deferred taxes if they have the characteristics of an income tax. This is considered to be the case when they are imposed under government authority and the amount payable is calculated by reference to taxable income.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for temporary differences associated with the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable income or loss and temporary differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse based on the laws that have been enacted or substantively enacted at the reporting date.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

2. Significant Accounting Policies (continued)

Earnings per share

Earnings per share is calculated by dividing the net income for the period available to common shareholders by the weighted average number of shares outstanding during the period. Diluted earnings per share reflect the potential dilution of securities that could share in earnings of an entity only when such conversion would have a dilutive effect on income. The Company uses the treasury stock method of calculating fully diluted loss per share amounts, whereby any proceeds from the exercise of stock options or other dilutive instruments are assumed to be used to purchase common shares at the average market price during the period.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the financial assets have been negatively impacted.

The criteria used to determine if there is objective evidence of an impairment loss include significant financial difficulty of the other party, default or delinquency in payments, or it has become probable that the customer will enter bankruptcy or financial reorganization.

The carrying amount of financial assets is reduced by the impairment loss directly for all financial assets with the exception of receivables, where the carrying amount is reduced through the use of an allowance account. When a receivable is considered uncollectible it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

Share-based payments

Common shares issued for non-monetary consideration are recorded at the fair value of the goods or services received. The Company has a stock option plan and warrants, whereby stock options and warrants are granted in accordance with the policies of regulatory authorities. The Company records a compensation cost attributable to all share purchase options and warrants granted at fair value at the grant date using the Black-Scholes valuation model and the fair value of all share purchase options and warrants are expensed over their vesting period with a corresponding increase to contributed surplus. Upon exercise of share purchase options and warrants, the consideration paid by the option holder, together with the amount previously recognized in contributed surplus, is recorded as an increase to share capital.

When the value of goods or services received in exchange for share-based payments cannot be reliably estimated, the value is measured by reference to the trading price of the Company's shares on the TSX Venture Exchange.

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest except to the extent the payment exceeds fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

2. Significant Accounting Policies (continued)

Financial instruments

a) Recognition

The Company recognizes a financial asset or financial liability on the statement of financial position when it becomes party to the contractual provisions of the financial instrument. Financial assets are initially measured at fair value and are derecognized either when the Company has transferred substantially all the risks and rewards of ownership of the financial asset, or when cash flows expire. Financial liabilities are initially measured at fair value and are derecognized when the obligation specified in the contract is discharged, cancelled or expired.

A write-off of a financial asset (or a portion thereof) constitutes a derecognition event. Write-off occurs when the Company has no reasonable expectation of recovering the contractual cash flows of a financial asset.

b) Classification and measurement

The Company determines the classification of its financial instruments at initial recognition. Financial assets and financial liabilities are classified according to the following measurement categories:

i) those to be measured subsequently at fair value, either through profit or loss (“FVTPL”) or through other comprehensive income (“FVTOCI”); and,
ii) those to be measured subsequently at amortized cost.

The classification and measurement of financial assets after initial recognition at fair value depends on the business model for managing the financial asset and the contractual terms of the cash flows. Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding, are generally measured at amortized cost at each subsequent reporting period. All other financial assets are measured at their fair values at each subsequent reporting period, with any changes recorded through profit or loss or through other comprehensive income (which designation is made as an irrevocable election at the time of recognition).

After initial recognition at fair value, financial liabilities are classified and measured at either:

i) amortized cost; or,
ii) FVTPL, if the Company has made an irrevocable election at the time of recognition, or when required (for items such as instruments held for trading or derivatives).

If the Company was to optionally designate a financial liability in other comprehensive income (“OCI”) then the Company reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified.

Transaction costs that are directly attributable to the acquisition or issuance of a financial asset or financial liability classified as subsequently measured at amortized cost are included in the fair value of the instrument on initial recognition. Transaction costs for financial assets and financial liabilities classified at FVTPL are expensed in profit or loss.

The Company’s financial assets consist of cash and accounts receivable, which are classified and subsequently measured at amortized cost. The Company’s financial liabilities consists of bank indebtedness, accounts payable and accrued liabilities, customer deposits, and long-term debt which are classified and measured at amortized cost using the effective interest method. Interest expense is reported in profit and loss.

2. Significant Accounting Policies (continued)

Financial instruments (continued)

c) Impairment

The Company assesses all information available, including on a forward-looking basis the expected credit loss associated with any financial assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition based on all information available, and reasonable and supportive forward-looking information.

Accounting Standards Adopted

a) IAS 16 Amendment - Property, plant and Equipment

The Amendments prohibit deducting from the cost of property, plant and equipment amounts received from selling items produced while the asset is being prepared for its intended use. Instead, a company will recognize such sales proceeds and related cost in profit or loss. The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The Company adopted these amendments at January 1, 2022. The implementation of these amendments did not have a significant impact on the Company.

b) IAS 37 Amendment – Provisions, Contingent liabilities and Contingent Assets

The International Accounting Standards Board (IASB) developed amendments to clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts. The amendments are effective for annual periods beginning on or after January 1, 2022. The Company adopted these amendments at January 1, 2022. The implementation of these amendments did not have a significant impact on the Company.

c) IFRS 3 Amendment – Business Combination

The amendments updated the reference to the Conceptual Framework. They also added an exception to its requirement for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying IFRS 3 should instead refer to IAS 37 Provisions, Contingent Liabilities and Contingent Assets. These amendments are effective for annual periods beginning on or after January 1, 2022. The Company adopted these amendments at January 1, 2022. The Company has determined that the amendments to IFRS 3 may have an impact on future Consolidated Financial Statements depending on an assessment of each business combination that may occur. The implementation of these amendments did not have a significant impact on the Company.

2. Significant Accounting Policies (continued)

Accounting Standards Issued Not Yet Effective

a) IAS 1 Amendment – Presentation of Financial Statements

These amendments are intended to help in deciding which accounting policies to disclose in the financial statements. The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.

b) IAS 8 Amendment – Accounting Policies, Changes in Accounting Estimates and Errors

These amendments introduce the definition of an accounting estimate and include other amendments to IAS 8 to help distinguish changes in accounting estimates from changes in accounting policies. The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.

c) IAS 12 Amendment – Income Taxes

The amendments narrow the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted.

There are no accounting standards, amendments, or interpretations to existing standards issued but not yet effective which are expected to have a material impact on the Company's consolidated financial statements.

3. Acquisition of Hi-Tec

On February 28, 2022, the Company completed its acquisition of Hi-Tec whereby the Company acquired all the issued and outstanding shares of Hi-Tec for $5,800,000 in cash. A working capital adjustment was calculated and finalized within 60 days of closing and was calculated to be $454,981. The fair value of the identifiable assets acquired included $1.45 million in intangible assets, which primarily relate to customer relationships and a non-compete agreement. Management applied significant judgment in estimating the fair value of the intangible assets. To estimate the fair value of the intangible assets, management used the multi-period excess earnings method to value customer relationships and the with and without method to value the non-compete agreement using discounted cash flow models. Management developed significant assumptions related to revenue, gross margin, EBITDA forecasts, customer retention rates, and discount rates. Hi-Tec is located in Lantzville, BC. Hi-Tec, a manufacturer of roof and floor trusses and supplier of engineered wood products aligns with the core business of the Company.

The acquisition has given the Company greater access to the Vancouver Island market in BC. Hi-Tec is close to the Company's ABS location and this acquisition will provide synergies between the locations when it comes to employees, skills, training, equipment, and shipping options.

(Expressed in Canadian dollars)

3. Acquisition of Hi-Tec (continued)

In accordance with IFRS 3, the Hi-Tec acquisition was accounted for as a business combination. The purchase price allocation as at December 31, 2022 is as follows:

Category	$
Cash	5,800,000
Working capital	454,981
Total consideration	**6,254,981**
Cash	314,558
Accounts receivable	560,993
Inventories	680,373
Prepaids	24,383
Building and equipment	1,554,600
Intangible assets	1,453,000
Goodwill	2,956,023
Accounts payable and accrued liabilities	(509,026)
Deferred tax liability	(779,923)
	6,254,981

The above PPA calculations have been finalized.

If the acquisition had occurred on January 1, 2022 then the revenues would have been $6,509,368. The following table shows the results of the operations of Hi-Tec since the acquisition date.

	Hi-Tec Feb 28 – Dec 31, 2022
	$
Revenue per consolidated financial statements	5,424,473
Income before tax	1,149,775
Income tax expense	118,397
Income for the period	1,031,378

4. Accounts receivable

Trade and other receivables were as follows:

	December 31, 2022	**December 31, 2021**
	$	**$**
Trade accounts receivable	5,790,022	6,681,064
Other receivables	39,926	55,714
Loss allowance	(4,914)	(5,866)
	5,825,034	6,730,912

Trade and other receivables are non-interest bearing and are carried at amortized cost, and impaired using the simplified approach which records impairment at the lifetime expected credit losses. During the year ended December 31, 2022, the estimated credit loss amounted to $4,914 (December 31, 2021 - $5,866).

(Expressed in Canadian dollars)

5. Inventories

	December 31, 2022	December 31, 2021
	$	$
Raw materials	3,962,770	2,514,687
Work in progress	206,834	135,071
Finished goods	422,077	720,682
	4,591,681	3,370,440

During the year ended December 31, 2022, $26,098,239 (December 31, 2021, $25,128,310) in raw materials was expensed through cost of sales. It was determined that there was no requirement to write down any raw materials, work in progress, or finished goods inventory during the year ended December 31, 2022.

6. Buildings and equipment

	Land and Buildings	Office Furniture and Equipment	Vehicles	Production Equipment	Computer Equipment and Software	Signage and Land Improv	Total
	$	$	$	$	$	$	$
Cost							
Balance, December 31, 2020	6,666,828	219,604	3,026,907	4,718,546	308,411	231,971	15,172,267
Additions	1,341,873	20,516	196,643	1,071,802	36,353	-	2,667,187
Disposals	(1,341,228)	(9,933)	(547,295)	(186,945)	-	-	(2,085,401)
Balance, December 31, 2021	6,667,473	230,187	2,676,255	5,603,403	344,764	231,971	15,754,053
Additions	3,805,084	15,469	123,084	63,451	61,438	6,293	4,074,819
Additions through business combination	-	9,500	331,400	1,210,400	3,300	-	1,554,600
Disposals	-	-	(172,737)	-	-	(8,843)	(181,580)
Balance, December 31, 2022	10,472,557	255,156	2,958,002	6,877,254	409,502	229,421	21,201,892
Accumulated depreciation							
Balance, December 31, 2020	2,620,349	135,094	1,634,487	2,280,680	237,663	138,079	7,046,352
Additions	992,097	17,267	450,326	544,629	23,821	7,550	2,035,690
Disposals	(1,284,846)	(1,647)	(447,687)	(61,922)	-	-	(1,796,102)
Balance, December 31, 2021	2,327,600	150,714	1,637,126	2,763,387	261,484	145,629	7,285,940
Additions	1,027,260	18,392	369,957	695,381	34,694	7,553	2,153,237
Disposals	-	-	(113,413)	-	-	(8,625)	(122,038)
Balance, December 31, 2022	3,354,860	169,106	1,893,670	3,458,768	296,178	144,557	9,317,139
Carrying amount at December 31, 2021	4,339,873	79,473	1,039,129	2,840,016	83,280	86,342	8,468,113
Carrying amount at December 31, 2022	7,117,697	86,050	1,064,332	3,418,486	113,324	84,864	11,884,753

(Expressed in Canadian dollars)

6. Buildings and equipment (continued)

Depreciation for tangible assets during the year ended December 31, 2022 was $2,153,237 (December 31, 2021 - $2,035,690). During the year ended December 31, 2022, $1,555,490 (December 31, 2021 - $1,384,960) of the depreciation was included in cost of sales. The Company purchased HiTec land and building for the appraised value of $3,250,000 in cash.

The above buildings and equipment schedule includes right-of-use assets. The following summarizes those right-of-use assets and their depreciation for the years ended December 31, 2022 and 2021.

	Building	Office Furniture and Equipment	Vehicles	Production Equipment	Total
	$	$	$	$	$
Balance, December 31, 2020	1,778,141	-	417,302	-	2,195,443
Additions	1,329,497	-	-	-	1,329,497
Disposals, net	(56,383)	-	(55,067)	-	(111,450)
Depreciation charge for the year	(882,782)	-	(134,707)	-	(1,017,489)
Balance, December 31, 2021	2,168,473	-	227,528	-	2,396,001
Additions	367,772	-	-	-	367,772
Disposals, net	-	-	(185,184)	-	(185,184)
Depreciation charge for the year	(908,325)	-	(42,344)	-	(950,669)
Balance, December 31, 2022	1,627,920	-	-	-	1,627,920

7. Intangible assets

	Customer Relationships	Brand	Non-Compete Agreements	Total
	$	**$**	**$**	**$**
Cost				
Balance, December 31, 2020	4,214,000	1,206,000	477,000	5,897,000
Additions	-	-	-	-
Impairment	-	-	-	-
Balance, December 31, 2021	4,214,000	1,206,000	477,000	5,897,000
Additions	682,000	-	771,000	1,453,000
Impairment	-	-	-	-
Balance, December 31, 2022	4,896,000	1,206,000	1,248,000	7,350,000
Accumulated amortization				
Balance, December 31, 2020	874,690	250,792	197,081	1,322,563
Additions	421,396	120,612	95,400	637,408
Impairment	-	-	-	-
Balance, December 31, 2021	1,296,086	371,404	292,481	1,959,971
Additions	478,226	120,612	223,900	822,738
Impairment	-	-	-	-
Balance, December 31, 2022	1,774,312	492,016	516,381	2,782,709
Carrying amount at December 31, 2021	2,917,914	834,596	184,519	3,937,029
Carrying amount at December 31, 2022	3,121,688	713,984	731,619	4,567,291

Amortization for intangible assets during the year ended December 31, 2022 was $822,738 (December 31, 2021 - $637,408).

(Expressed in Canadian dollars)

7. Intangible assets (continued)

As at December 31, 2022, the Company completed a quarterly assessment of the intangible assets and determined there were no circumstances leading to an impairment of these intangible assets.

8. Goodwill

The following summarizes the Company's goodwill as at December 31, 2022 and 2021

	Clinton	Satellite	Pacer	SC	Hi-Tec	Total
	$	$	$	$	$	$
Cost						
Balance, December 31, 2020	474,428	136,446	2,284,327	883,275	-	3,778,476
Additions	-	-	-	-	-	-
Balance, December 31, 2021	474,428	136,446	2,284,327	883,275	-	3,778,476
Additions	-	-	-	-	2,956,023	2,956,023
Balance, December 31, 2022	474,428	136,446	2,284,327	883,275	2,956,023	6,734,499

The value-in-use impairment tests performed were based on the Company's internal forecasts and represent management's best estimates at a specific point in time, and as a result are subject to measurement uncertainty. In arriving at its estimated future cash flows, the Company considered past experience, economic trends and industry trends. The key assumptions used in the impairment tests include a projected revenue growth rate of 2% each of the first five years and an applied perpetual long-term growth rate of 2% thereafter, with gross margins ranging from 33% to 38%. A discount rate of between 14.7%-21.5% has been applied to the expected cash flow, after adjusting the cash flow for an estimate of the taxes and capital maintenance expenditures.

The most sensitive inputs to the value-in-use models are the revenue growth rates and gross margins. A reasonable change in the revenue growth rates and gross margins did not result in an impairment for any of the CGUs. There was no material impact of the sensitivity analyses on the recoverable amounts of the Company's other CGUs. No impairments were recognized as a result of the 2022 impairment assessments.

9. Income taxes

The tax expense differs from the theoretical amount that would arise using the tax rate applicable to profits of the Company for the year ended December 31, 2022 and 2021 as follows:

	December 31, 2022	December 31, 2021
	$	$
Income for the year before income tax	12,008,237	9,305,345
Average statutory rate	27.00%	27.00%
Expected income tax payable	3,242,224	2,512,443
Difference in tax rates	(128,448)	(113,695)
Items not deductible for tax purposes	78,967	31,562
Change in estimate	(14,843)	(79,313)
Income tax expense	3,177,900	2,350,997

(Expressed in Canadian dollars)

9. Income taxes (continued)

The breakdown of the income tax expense during the year is as follows:

	December 31, 2022	December 31, 2021
	$	$
Current income tax expense	3,530,235	1,611,394
Deferred tax (recovery) expense	(352,335)	739,603
Total income tax expense	3,177,900	2,350,997

The significant components of the Company's deferred tax assets and liabilities are as follows:

	December 31, 2022	December 31, 2021
	$	$
Deferred tax assets		
Lease obligations	375,882	628,700
Capital loss carry forwards	87,419	87,419
Non-capital loss carry forwards	375,664	313,427
Building and Equipment	75,833	22,207
Intangibles	9,056	6,693
Share issue costs	44,125	90,998
	967,979	1,149,444
Offset against deferred tax liabilities	(473,787)	(772,584)
Unrecognized deferred tax assets	(87,419)	(87,419)
Deferred tax assets	406,773	289,441
Deferred tax liabilities		
Buildings and equipment	(1,523,659)	(1,478,941)
Brand and customer relationships	(1,167,529)	(966,123)
Offset against deferred tax assets	473,787	772,584
Deferred tax liabilities	(2,217,401)	(1,672,480)
Net deferred tax liabilities	(1,810,628)	(1,383,039)

The Company has non-capital losses of approximately $1,391,345 at December 31, 2022, which are available to be carried forward and can be used to offset future taxable income. These non-capital losses expire as follows:

Expiry Date	Amount
	$
December 31, 2038	40,662
December 31, 2039	287,325
December 31, 2040	304,819
December 31, 2041	536,199
December 31, 2042	222,340
	1,391,345

(Expressed in Canadian dollars)

10. Accounts payable and accrued liabilities

	December 31, 2022	December 31, 2021
	$	$
Trade accounts payable	573,251	1,293,663
Sales taxes payable	356,162	407,539
Salaries and vacation payable	488,603	386,386
Other accounts payable	112,353	102,626
Accrued liabilities	1,305,627	858,548
	2,835,996	3,048,762

11. Intangible liability

	Over-Market Lease Agreement	Total
	$	$
Cost		
Balance, December 31, 2020	172,000	172,000
Additions	-	-
Balance, December 31, 2021	172,000	172,000
Additions	-	-
Balance, December 31, 2022	172,000	172,000
Accumulated amortization		
Balance, December 31, 2020	71,675	71,675
Additions	34,404	34,404
Balance, December 31, 2021	106,079	106,079
Additions	34,404	34,404
Balance, December 31, 2022	140,483	140,483
Carrying amount at December 31, 2021	65,921	65,921
Carrying amount at December 31, 2022	31,517	31,517

Amortization for intangible liability during the year ended December 31, 2022 was $34,404 (December 31, 2021 - $34,404).

As at December 31, 2022, the Company completed an annual assessment of the intangible liability and determined there were no circumstances leading to an adjustment of the intangible liability.

(Expressed in Canadian dollars)

12. Lease obligations

Certain of the Company's buildings and equipment are held as right-of-use assets under lease obligations. The terms and the outstanding balances of the lease obligations as at December 31, 2022 and 2021 are as follows:

	December 31, 2022	**December 31, 2021**
	$	**$**
Building under right-of-use asset lease repayable in monthly instalments of $24,500 inclusive of implied interest of 5.78% per annum, residual value of $nil, maturing in December 2025 (Note 17).	846,090	1,083,687
Building under right-of-use asset lease repayable in monthly instalments of $53,160 inclusive of implied interest of 6.45% per annum, residual value of $nil, maturing November 2023.	544,221	1,119,829
Building under right-of-use asset lease repayable in monthly instalments of $6,646 inclusive of implied interest of 3.95% per annum, residual value of $nil, maturing in June 2027.	328,802	-
Building under right-of-use asset lease repayable in monthly instalments of $6,543 inclusive of implied interest of 5.2% per annum, residual value of $nil, maturing in July 2023.	42,160	109,454
Vehicle under right-of-use asset lease repayable in monthly instalments of $5,150 with interest of 4.4% per annum, residual value of $2, matured in April 2022.	-	20,414
Vehicle under right-of-use asset lease repayable in monthly instalments of $2,551 with interest of 4.5% per annum, residual value of $1, matured in September 2022	-	22,519
Vehicle under right-of-use asset lease repayable in monthly instalments of $5,287 with no interest and residual value of $1, matured in December 2022.	-	63,447
Total lease obligation	1,761,273	2,419,350
Current portion	(918,593)	(989,229)
Non-current portion	842,680	1,430,121

(Expressed in Canadian dollars)

12. Lease obligations (continued)

The following is a schedule of the total lease payments made during the years ended December 31, 2022 and 2021:

	December 31, 2022	**December 31, 2021**
	$	**$**
Principal payment	1,025,849	1,047,073
Interest expense	135,261	180,305
Total lease payments	1,161,110	1,227,378

During the year ended December 31, 2022 a new building lease was entered into for $363,053 and the value of an existing building lease was increased by $4,719 (December 31, 2021 – a building lease was renewed under a right-of-use asset lease for $1,314,392).

The following is a schedule of the Company's future minimum lease payments related to the building, equipment, and vehicles under lease obligations:

	December 31, 2022
	$
2023	992,079
2024	385,752
2025	391,753
2026	79,753
2027	39,876
Total minimum lease payments	1,889,213
Less: imputed interest	(127,940)
Total present value of minimum lease payments	1,761,273

During the year ended December 31, 2022 – the Company entered into a low value lease for office equipment for $4,740 (December 31, 2021 – a low value lease for office equipment for $3,366).

(Expressed in Canadian dollars)

13. Long-term debt

The long-term debt consists of the following:

	December 31, 2022	December 31, 2021
	$	$
BDC loan[1]	780,570	825,174
BDC loan[2]	760,320	929,280
Scotiabank assumed loan[3]	13,786	23,518
Saw financing[4]	-	73,082
TD term loan[5]	3,500,906	4,156,511
TD term loan[6]	963,091	963,091
TD mortgage[7]	2,356,250	-
TD term loan[8]	5,109,524	-
	13,484,447	6,970,656
Less current portion of term debt	(1,818,966)	(951,983)
Total long-term portion of term debt	11,665,481	6,018,673

1. A term loan with a major Canadian bank bearing interest at a floating base rate (6.10% as at December 31, 2022) repayable at approximately $3,717 per month with maturity being June 2040. The loan was interest only payments until January 9, 2020 and is amortized over 256 months. The loan is secured by a general security interest granted by the Company, with a security on the land and building of SC.
2. A term loan with a major Canadian bank bearing interest at a floating base rate (7.64% as at December 31, 2022) repayable at approximately $14,080 per month with maturity being June 2027. The loan was interest only payments until January 9, 2020 and is amortized over 100 months. The loan is secured by a general security interest granted by the Company, with a security on the equipment of SC.
3. A financing loan with a major Canadian bank bearing interest at 0.00% as at December 31, 2022, repayable at approximately $811 per month with maturity being May 2024. The loan was assumed on the acquisition of SC and remaining life is amortized over 72 months. The loan is secured by a specific piece of equipment.
4. An equipment financing with a major equipment supplier, Mitek Canada Inc. bearing interest at 0.00% as at December 31, 2022 and repayable at principal of $10,440 plus tax per month, amortized over 37 months with maturity July 2022. The loan is secured by a specific piece of equipment.
5. A term loan with a major Canadian bank bearing interest at a fixed rate (2.19% as at December 31, 2022) repayable at $61,630.43 per month with maturity December 2027. The loan is amortized over 84 months. The loan is secured by a general security interest granted by the Company and an assignment of share pledge agreement.
6. A term loan with a major Canadian bank bearing interest at a floating rate (6.45% as at December 31, 2022) with principal repayable at the Company's discretion within 36 months from date of drawdown. The term of the loan is 36 months from the date of drawdown with monthly interest payments of 1,972 per month. The loan is secured by a general security interest granted by the Company and an assignment of share pledge agreement.
7. A mortgage with a major Canadian bank bearing interest at a floating rate (6.45% as at December 31, 2022) repayable at $8,125 per month with maturity February 2047. The loan is amortized over 300 months. The loan is secured by a general security interest granted by the Company and an assignment of share pledge agreement.
8. A term loan with a major Canadian bank bearing interest at a floating rate (6.45% as at December 31, 2022) repayable at $69,047.62 per month with maturity February 2029. The term of the loan is 84 months. The loan is secured by a general security interest granted by the Company and an assignment of share pledge agreement.

The Company applies judgement in the classification of long-term and short-term debt portions. The Company assumes that the prime interest rate will remain consistent or not change materially over the next twelve months. Loan 5 of the Company's debt obligations has consistent payments and a change in the interest rate would affect the principal portion as the overall payment was set for the term. The remaining loans are either no interest loans or have fluctuating payments that would change as the interest rate changes and the principal portion of those payments would remain constant.

13. Long-term debt (continued)

The Company has a credit facility agreement with TD Canada Trust. The agreement has three facilities. The first facility is an operating line of credit and the second facility is a committed revolving facility which was used to refinance the purchase of equipment in January 2021. The third facility is a committed reducing term loan used to pay off other debt obligations.

The credit facility with TD Canada Trust contains two financial covenants. A total leverage ratio of less than or equal to 2.50 to 1 which is tested quarterly on a twelve-month rolling basis. The second financial covenant is a fixed charge coverage ratio of greater than or equal to 1.15 to 1 to be tested quarterly on a twelve-month rolling basis. As at December 31, 2022, the Company was in compliance with their covenants

14. Share capital

a) Authorized

Unlimited common shares without par value.

b) Share capital transactions

On November 3, 2021 the Company commenced a Normal Course Issuer Bid (NCIB) which was effective until the earlier of November 3, 2022 and the date on which the Company has purchased the maximum permitted number of shares. Pursuant to the NCIB, the Company may purchase up to 2,886,286 of its outstanding common shares as at October 28, 2021 representing approximately 5% of the public float of shares outstanding at market prices.

On December 1, 2022, the Company renewed the Normal Course Issuer Bid (NCIB) which is effective until the earlier of December 1, 2023 and the date on which the Company has purchased the maximum permitted number of shares. Pursuant to the NCIB, the Company may purchase up to 4,732,015 of its outstanding common shares as at November 2, 2022 representing approximately 10% of the public float of shares outstanding at market prices.

During the year ended December 31, 2022 the Company purchased for cancellation 1,550,500 of shares pursuant to its NCIB for a total of $759,074. The Company’s share capital was reduced by the average carrying value of shares repurchased for cancellation.

By February 7, 2022, 2,102,819 warrants were exercised at $0.60 for 2,102,819 common shares.

On March 24, 2022, 30,000 options were exercised at $0.30 for 30,000 common shares.

On November 4, 2022, 200,000 options were exercised at $0.49 for 200,000 common shares.

On November 29, 2022, 500,000 options were exercised at $0.49 for 500,000 common shares.

On December 7, 2022, 150,000 options were exercised at $0.49 for 150,000 common shares.

(Expressed in Canadian dollars)

14. Share capital (continued)

c) Options

The Company adopted a share option plan that allows for the issuance of up to 10% of the issued and outstanding shares as incentive share options to directors, officers, employees and consultants to the Company. Share options granted under the plan may be subject to vesting provisions as determined by the Board of Directors. Standard vesting provisions are in thirds every six months from the date of grant. The options are priced using the trading price at the end of the close on the date of the grant and they are exercisable within five years from the date of grant.

The Company's share options outstanding as at December 31, 2022 and December 31, 2021 and the changes for the years then ended are as follows:

	Number	Weighted average exercise price
		$
Balance as at December 31, 2020	2,935,000	0.44
Granted	450,000	0.33
Forfeited	(672,500)	0.32
Balance as at December 31, 2021	2,712,500	0.45
Granted	1,525,000	0.67
Exercised	(880,000)	0.48
Forfeited	(350,000)	0.49
Balance as at December 31, 2022	3,007,500	0.55

The total share-based payments recorded during the year ended December 31, 2022 was $254,368 (December 31, 2021 - $91,141).

The following table summarizes information about the share options outstanding as at December 31, 2022:

Exercise price per share of options outstanding	Number of options outstanding	Weighted average remaining life (years) of options outstanding	Weighted exercise price of options exercisable	Number of options exercisable	Expiry date
$0.60	450,000	0.10	$0.60	450,000	February 5, 2023
$0.53	87,500	0.14	$0.53	87,500	February 21, 2023
$0.30	495,000	1.17	$0.30	495,000	March 3, 2024
$0.49	100,000	3.01	$0.49	100,000	January 4, 2026
$0.29	350,000	3.31	$0.29	350,000	April 21, 2026
$0.60	425,000	4.01	$0.60	141,665	January 4, 2027
$0.64	200,000	4.30	$0.64	66,664	April 21, 2027
$0.60	100,000	4.89	$0.60	-	November 22, 2027
$0.73	800,000	4.97	$0.73	-	December 20, 2027
$0.55	3,007,500	3.03	$0.44	1,690,829	

(Expressed in Canadian dollars)

14. Share capital (continued)

c) Options (continued)

The Black-Scholes Pricing Model was used to estimate the fair value of the share options using the following assumptions on the grant date of the options:

Issue date	Expected option life (years)	Risk free interest rate	Dividend yield	Expected volatility	Expected forfeiture rate	Weighted average fair value
February 5, 2018	5.00	1.60%	Nil	132%	2.15%	$0.47
February 21, 2018	5.00	1.60%	Nil	132%	2.15%	$0.46
March 3, 2019	5.00	1.80%	Nil	165%	25.45%	$0.28
January 4, 2021	5.00	0.39%	Nil	127%	24.39%	$0.42
April 21, 2021	5.00	0.94%	Nil	118%	24.26%	$0.24
January 4, 2022	5.00	1.39%	Nil	94%	22.85%	$0.43
April 21, 2022	5.00	2.78%	Nil	67%	22.08%	$0.37
November 22, 2022	5.00	3.23%	Nil	66%	20.58%	$0.35
December 20, 2022	5.00	3.05%	Nil	66%	20.42%	$0.42

The expected volatility is based on the historic volatility and adjusted for any expected material changes to future volatility due to publicly available information. Historical volatility is based on the daily volatility from the five years prior to the grant date due to the remaining life of the options at the grant date.

d) Warrants

The Company's warrants outstanding as at December 31, 2022 and December 31, 2021 and the changes for the year ended are as follows:

	Number	Weighted average exercise price
		$
Balance as at December 31, 2020	17,313,019	0.60
Granted	-	-
Exercised	(25,000)	0.60
Forfeited	(5,140,000)	0.60
Balance as at December 31, 2021	12,148,019	0.60
Granted	-	-
Exercised	(2,102,819)	0.60
Forfeited	(10,045,200)	0.60
Balance as at December 31 2022	-	-

The total warrant reserve recorded for the year ended December 31, 2022 was $Nil (December 31 2021: $Nil).

(Expressed in Canadian dollars)

15. Revenue

The Company had four distinct revenue streams: trusses, engineered wood products, windows, and walls. The sale of windows was ceased in 2021. The Company's revenues by these revenue streams for the year ended December 31, 2022 and 2021 is as follows:

Year ended December 31, 2022

	Trusses	Engineered wood products	Windows	Walls	Total
	$	$	$	$	$
Total revenue	46,472,083	15,319,181	-	108,356	61,899,620

Year ended December 31, 2021

	Trusses	Engineered wood products	Windows	Walls	Total
	$	$	$	$	$
Total revenue	42,543,218	12,111,414	84,723	258,507	54,997,862

16. Cost of sales

Cost of sales for the years ended December 31, 2022 and 2021 is as follows:

	December 31, 2022	December 31, 2021
	$	$
Materials	26,237,772	25,238,309
Labour	11,285,632	9,553,894
Maintenance and overhead	2,974,620	2,667,763
Depreciation and amortization	1,555,490	1,384,960
Total cost of sales	42,053,514	38,844,926

17. Related party transactions

The Company's related parties consist of the Company's directors and officers, and any companies associated with them. Key management personnel includes directors and executive officers of the Company. Other than the amounts disclosed below, there was no other compensation paid or payable to key management personnel for the reported periods.

Atlas is the parent company and owns 100% of the following subsidiaries: Clinton, Satellite, ABS, Pacer, SC, Novum, and Hi-Tec.

(Expressed in Canadian dollars)

17. Related party transactions (continued)

The Company incurred the following charges as part of the Company's consolidated statement of income and comprehensive income during the years ended December 31, 2022 and 2021:

	December 31, 2022	December 31, 2021
	$	$
Salaries and benefits	1,175,088	1,073,451
Management fees	-	54,600
Administrative and office	122,000	125,050
Finance charge on lease obligations[1]	56,403	63,295
Share-based payments	207,339	91,141
Total related party transactions	1,560,830	1,407,537

Due from/to related parties

Amounts due from/to related parties are detailed as follows:

	December 31, 2022	December 31, 2021
	$	$
Due from related party		
Accounts receivable and prepaid expenses	12,076	-
Total due from related party	12,076	-
Due to related parties		
Accounts payable and accrued liabilities	(23,372)	(19,767)
Lease obligation (Note 12)[1]	(846,090)	(1,083,687)
Total due to related parties	(869,462)	(1,103,454)

1. A Director of the Company has a 50% ownership in a company that owns the land and building and leases the premises to our Atlas location.

These amounts were incurred in the normal course of operations and are recorded at exchange amounts as part of our consolidated statement of financial position. Accounts receivable and accounts payable and accrued liabilities are unsecured, non-interest bearing, and have no set terms of repayment.

18. Supplemental cash flow information

Investing and financing activities that do not have a direct impact on the current cash flows are excluded from the cash flow statements. During the years ended December 31, 2022 and 2021, the Company had the following non-cash investing and financing activities:

Year ended December 31, 2022

- A new building lease was entered into for $363,053.
- The value of an existing building lease increased by $4,719.

(Expressed in Canadian dollars)

18. Supplemental cash flow information (continued)

Year ended December 31, 2021

- A building lease was renewed under a right-of-use asset for $1,314,392. As a result of the renewal there was an adjustment to the lease obligation of $21,888;
- A building lease was cancelled with no repayment of the residual lease liability. The outstanding principal of $27,803 was adjusted.
- A building lease was adjusted for $2,991 to reflect a change in the base rent effective July 2021.
- A vehicle lease expired and the assets were bought. As a result, the residual lease obligation had to be adjusted by $19,067.
- A vehicle lease expired and the assets were bought. As a result, the residual lease obligation had to be adjusted by 9,325.

19. Reconciliation of liabilities arising from financing activities

The changes in the Company's liabilities arising from financing activities can be classified as follows:

	Long-term debt	Lease obligations	Total
	$	$	$
Balance December 31, 2021	6,970,656	2,419,350	9,390,006
Repayments	(1,723,709)	(1,025,849)	(2,749,558)
Issuance	8,237,500	-	8,237,500
Non-cash – lease obligation	-	363,053	363,053
Non-cash – lease adjustment	-	4,719	4,719
Balance December 31, 2022	13,484,447	1,761,273	15,245,720

	Long-term debt	Lease obligations	Total
	$	$	$
Balance December 31, 2020	6,999,633	2,227,124	9,226,757
Repayments	(992,068)	(1,047,073)	(2,039,141)
Issuance	963,091	-	963,091
Non-cash – lease obligation	-	1,314,392	1,314,392
Non-cash – lease adjustment	-	(75,093)	(75,093)
Balance December 31, 2021	6,970,656	2,419,350	9,390,006

20. Financial instruments

Classification of financial instruments

The Company's financial instruments consist of cash, trade accounts receivable, accounts payable and accrued liabilities, customer deposits, and long-term debt. The Company classified and measured its cash and accounts receivable as subsequently measured at amortized cost. Accounts payable and accrued liabilities, customer deposits, and long-term debt notes are classified and measured at amortized cost.

The Company thoroughly examines the various financial instruments and risks to which it is exposed and assesses the impact and likelihood of those risks. These risks include market risk, interest rate risk, credit risk, and liquidity risk. Where material, these risks are reviewed and monitored by the Board of Directors who actively focus on securing the Company's cash flows by minimizing the exposure to volatile financial instrument risks.

20. Financial instruments (continued)

Market risk

The Company is exposed to various market risks, including foreign exchange rates, interest rates, and the COVID-19 pandemic. To date, the outbreak and continuing spread of COVID-19 and the related disruption to the economy have not significantly affected the Company's operations.

a) Foreign exchange risk

The Company is exposed to foreign exchange risk. The Company has revenue from sales to the US, US non-inventory expenditures, and bank accounts in US currency. Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities denominated in a currency that is not the functional currency of the Company. The risk is measured through a forecast of highly probable USD transactions.

The Company minimizes the risk of the volatility of the US currency cost by keeping USD funds received from sales in USD bank accounts. These USD funds are then used for expenditures that arise in the same currency. Only at the end of the year does the Company assess the risk of transferring the excess funds to a CDN bank account. If the risk is too high, then the funds will remain in the USD account until the risk is reduced.

Profit or loss is sensitive to the fluctuations of the USD to CDN foreign exchange rates on the US revenues. If the USD foreign exchange rate were to increase by 10% with a full year of USD sales transactions based on previous sales to the US, this is estimated by management to increase sales by $47,800 annually. The Company did not sell into the US during 2022 but has previously and anticipates selling into the US again in the short-term future.

b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's policy is to minimize interest rate risk exposures on term financing. All leases and exchangeable notes have fixed rates. As at December 31, 2022, the Company is exposed to changes in market interest rates through the bank borrowings at a floating base rate. This risk is low because changes in the prime rate are not substantial and increases would not impact the consolidated financial statements significantly. If the rates were to increase 10% this would result in an increase in interest of approximately $128,308 over the next year.

Credit risk

Credit risk is the risk that a counterparty fails to meet its contractual obligation to the Company. The Company is exposed to the risk for various financial instruments through receivables from customers and placing deposits and the potential for cash fraud. The Company's maximum exposure to credit risk is limited to the carrying amount of financial assets recognized as at December 31, 2022 and December 31, 2021 summarized below:

	December 31, 2022	December 31, 2021
	$	$
Classes of financial assets – carrying amounts		
Cash and cash equivalents	16,118,601	8,947,182
Trade accounts receivable, net of loss allowance	5,785,108	6,675,198
	21,903,709	15,622,380

(Expressed in Canadian dollars)

20. Financial instruments (continued)

Credit risk (continued)

The Company closely monitors cash by applying a sweep account function to the subsidiary accounts and a daily bank reconciliation. The Company also requires each division to detail weekly any collection attempts of receivables over 61 days and prepares and aging account receivable report weekly to monitor any progress.

The Company also continuously monitors defaults of customers, identified individually, and incorporates this information into its credit risk controls. Where available at reasonable cost, external credit ratings and credit checks are obtained and used. The Company's policy is to deal only with creditworthy customers.

The Company has certain trade receivables that have not been settled by the contractual due date but are not considered to be impaired. The receivables and their aging as at December 31, 2022 and December 31, 2021 is summarized below:

	December 31, 2022	December 31, 2021
	$	$
Trade accounts receivable, net of loss allowance		
Current	2,911,858	3,920,669
Past due 1 to 30 days	1,518,422	1,422,835
Past due 31 to 60 days	648,293	381,704
Past due over 60 days	706,535	949,990
	5,785,108	6,675,198

The loss allowance as at December 31, 2022 and December 31, 2021 was determined as follows for trade accounts receivable:

As at December 31, 2022

	Current	Past due 1 to 30 days	Past due 31 to 60 days	Past due over 60 days	Total
Expected loss rate	0.00%	0.00%	0.25%	0.46%	0.08%
Trade accounts receivable	2,911,858	1,518,422	649,918	709,824	5,790,022
Loss allowance	-	-	1,625	3,289	4,914

As at December 31, 2021

	Current	Past due 1 to 30 days	Past due 31 to 60 days	Past due over 60 days	Total
Expected loss rate	0.00%	0.00%	0.25%	0.51%	0.09%
Trade accounts receivable	3,920,669	1,422,835	382,661	954,899	6,681,064
Loss allowance	-	-	957	4,909	5,866

The expected loss rates are based on historical credit losses and adjusted to reflect current and forward-looking information of the customers' ability to settle the receivables. This is affected and adjusted constantly based on acquisitions that bring in new customers and new information from economic conditions.

(Expressed in Canadian dollars)

20. Financial instruments (continued)

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations. The Company may be exposed to liquidity risks if it is unable to collect its trade and other receivables balances in a timely manner, which could in turn impact the Company's long-term ability to meeting commitments under its current facilities.

The Company manages its liquidity needs by monitoring scheduled debt servicing payments for long-term financial liabilities and debt servicing ratios. The Company also forecasts and manages cash inflows and outflows on a daily, weekly and monthly basis.

The Company considers expected cash flows from financial assets in assessing and managing liquidity risk, in particular its cash resources and trade receivables. The Company's existing cash resources and trade receivables exceeds the current cash outflow requirements as our current ratio is currently 3.92:1. Cash flows from trade accounts receivable are all contractually due within thirty days.

As at December 31, 2022, the Company's non-derivative financial liabilities have contractual maturities (including interest payments where applicable) as summarized below:

	Current	Current	Non-current	Non-current
	Within 6 months	6 to 12 months	1 to 5 years	Later than 5 years
	$	$	$	$
Lease obligations	551,091	440,988	897,134	-
Accounts payable and accrued liabilities	2,835,996	-	-	-
Income taxes payable	912,371	-	-	-
Long-term debt	1,260,431	1,243,283	11,075,882	3,647,725
Total	5,559,889	1,684,271	11,973,016	3,647,725

As at December 31, 2021, the Company's non-derivative financial liabilities have contractual maturities (including interest payments where applicable) as summarized below:

	Current	Current	Non-current	Non-current
	Within 6 months	6 to 12 months	1 to 5 years	Later than 5 years
	$	$	$	$
Lease obligations	570,380	542,127	1,527,943	-
Accounts payable and accrued liabilities	3,048,762	-	-	-
Income taxes payable	1,379,793	-	-	-
Long-term debt	614,326	558,597	5,133,810	1,677,711
Total	5,613,261	1,100,724	6,661,753	1,677,711

The above amounts reflect the contractual undiscounted cash flows, which may differ from the carrying values of the liabilities at the reporting date.

(Expressed in Canadian dollars)

21. Management of capital

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to continue operations. In the management of capital, the Company includes its components of long-term debt, lease obligations, cash and equity.

The amounts managed as capital by the Company are summarized as follows:

	December 31, 2022	December 31, 2021
	$	$
Long-term debt	13,484,447	6,970,656
Lease obligations	1,761,273	2,419,350
Less: Cash and cash equivalents	(16,118,601)	(8,947,182)
Net debt	(872,881)	442,824
Total equity	28,872,703	19,812,643
	27,999,822	20,255,467

The Company maintains and adjusts its capital structure based on changes in economic conditions and the Company's planned requirements. The Company may adjust its capital structure by issuing new equity, issuing new debt, or acquiring or disposing of assets, and controlling its expenses. From time to time, the Company purchases its own shares in the open market under a defined NCIB. All repurchased common shares are cancelled.

Management reviews its capital management policies on an ongoing basis.